



UNIVERSITY OF UTAH INFRASTRUCTURE

EXECUTIVE APPROPRIATIONS COMMITTEE
STAFF: MARK BLEAZARD

ISSUE BRIEF

BACKGROUND

For several years the University of Utah has been faced with increasingly serious High Temperature Water (HTW) and electrical utility infrastructure issues that have resulted in extensive power outages and steam line ruptures.

ISSUES

Between FY 2007 and FY 2010, the University of Utah applied its capital improvement allocations in the amount of \$19.2 million on HTW and \$7.8 million on the electrical systems.

The University requested \$99 million during the 2010 Legislature to address the remaining infrastructure replacement. The funding was not appropriated, but the Legislature did authorize reallocation of \$3.5 million of capital improvement funds for improvements to the HTW system during FY 2011.

The \$99 million was again requested for FY 2012. The request was denied.

The legislative request during the 2012 General Session was reduced to \$50 million for FY 2013 with the understanding that an alternative funding mechanism would be explored for the remaining \$49 million. The Legislature funded \$22 million of that request and an additional \$13 million was authorized from the statewide capital improvement funding pool for a total of \$35 million for FY 2013.

During the 2013 Legislature the University requested authorization to issue a revenue bond for the remaining \$64 million to complete the project. The bond was to be repaid with revenue from a proposed 30% power bill surcharge to University electrical power users. The Legislature denied the bonding request, but authorized the University to use \$7.5 million of their capital improvement allocation to continue to address the infrastructure problem.

The 2014 Legislative session the University of Utah presented two proposals for the remaining \$56.5 million challenge. The first proposal was issuance of a \$56.5 million revenue bond that would be repaid with revenue from a proposed 30% power bill surcharge to University electrical power users. The second option would be to use \$27.1 million from capital development funding and issue a revenue bond for the remaining \$29.4 million that would be repaid with the above mentioned proposed 30% power surcharge to University electrical power users. The Legislature authorized the Board of Regents on behalf of the University of Utah to issue \$32 million of revenue bonds with a maturity of no more than ten years. Repayment of the bonds is to be from annual capital improvement funding allocations up to \$1.5 million given to the University of Utah and \$2.1 million from surcharges to electrical power users. Additional expenditures of \$24.5 million will come from capital improvement funding of \$11 million from statewide appropriations and \$13.5 million from capital improvement allocations to the University of Utah over the next two years.

DFCM is prepared to give the Executive Appropriations Committee an update of progress on the project.